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CENTRAL INTELLIGENCE BULLETIN

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Indonesia: Sukarno's recent strictures do not appear to have slowed down the army's anti-Communist campaign.

Within hours after the President demanded that political action be left in his hands, the Djakarta military commander banned the PKI and its affiliates in the capital. In a statement to the People's Provisional Assembly, which Sukarno addressed on Monday, Defense Minister Nasution served notice on 7 December that the army would continue to press the President for political and economic changes.

The US Embassy in Djakarta also notes a growing estrangement between the Indonesian press and the President. Most papers have played down Sukarno's challenge to his opponents that they either depose him or give him free rein. Most have indicated approval of the army's recent actions.

In maneuvering against Sukarno, however, the army finds itself circumscribed by long-standing Indonesian political assumptions. The chief Indonesian spokesman--an army man--in the drawn-out negotiations with US oil companies operating in Indonesia has issued an ultimatum to the companies that may well result in virtual nationalization of their Indonesian assets by the end of the year unless major concessions are forthcoming.

The army leaders probably feel that this strong stand is in Indonesia's national interest, but they are also aware that a compromise on the issues involved would subject the army to charges from Sukarno that it was overly deferential to "imperialistic" US interests.

Singapore-Malaysia: Singapore's proposal to resume trade with Indonesia on a barter basis continues to threaten its relations with Malaysia.

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A showdown was at least temporarily averted last week when Singapore decided to defer the resumption of trade pending further attempts to negotiate the issue. The subject will be officially reviewed again at the next meeting of the UK-Singapore-Malaysia Combined Defense Council on 14 December.

As an interim measure, Singapore now is planning to begin trade with Indonesia by means of two large vessels anchored in international waters. Rahman, who is personally committed against Lee's intention to use a Singapore island site for the trade, may acquiesce in such a face-saving arrangement. In any event only a low volume of trade would result.]

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Rhodesia: [Most African countries appear to be having second thoughts about the wisdom of breaking diplomatically with Britain if London has not "crushed" the Smith government by 15 December.]

[Only Tanzania's Nyerere is publicly committed to sever relations by 15 December in accordance with last weekend's OAU resolution. Ghana's Nkrumah also may break relations to demonstrate his leadership of the African activists. Although action by these two could have a bandwagon effect, most African states do not want to break with the UK. They view such a move as either harmful to themselves or ineffective, or both.]

[In order to postpone action, many African states probably will seize upon Zambian President Kaunda's public statement yesterday that such a move would cause difficulties.]

[London is not seriously alarmed by the OAU threat, but plans to encourage the African states to have "second and wiser thoughts." British approaches, to include personal messages from Prime Minister Wilson, will stress that a break in relations would only make a solution of the Rhodesian problem more difficult.]

[Most African states still appear willing to leave primary responsibility with Britain and Zambia and to give them additional time. Although some states have indicated they would send troops if asked, they recognize both their lack of military capabilities and Zambia's stated preference for British troops.]

[The British continue to discuss the question of UK ground troops with the Zambians. UK officials are doubtful that anything will happen because they will not permit their troops to cross into Rhodesia.]

(continued)

{London is considering alternative schemes for ensuring the security of the power supply from the Kariba station to Zambia. One possibility would be to request the International Bank for Reconstruction and Development, which financed the construction of the station, to exercise its right of inspection to guarantee security of the dam. Another possibility would involve the stationing of a contingent of Australian and Canadian troops. The British recognize the great difficulty of obtaining agreement to such proposals, especially from Rhodesia.]

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Communist China: Peking's trade with the Free World in 1965 will probably reach a record level of about \$2.5 billion--some 25 percent above 1964.

Since 1961 Peking's trade has shifted drastically away from Communist countries so that less than one third of its total trade now is with those countries. This proportion may decline further in 1966 because of China's continuing need for large grain and fertilizer imports from non-Communist suppliers and because of the regime's desire to obtain Western industrial and technical equipment.

The increase in Chinese trade with Japan is especially striking. Trade between the two is up 45 percent over 1964 and is expected to reach \$450 million this year. Japan would thus ^{probably} supplant the USSR as China's leading trade partner. China imports mainly industrial goods from Japan and exports agricultural products, coal, and iron ore.

Peking's net trade earnings this year with Hong Kong will probably amount to about \$400 million--20 percent above 1964. Hong Kong is China's leading source of foreign exchange.

The Chinese are also seeking more trade with Western Europe. Top-ranking Chinese officials visited the recent French industrial fair in Peking, the biggest Western trade exhibition held to date in China. China now is purchasing merchant ships, aircraft, industrial equipment, and complete industrial plants in Western Europe.

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NOTE

USSR-US: In a recent conversation with a high-level Soviet Defense Ministry official, US service attachés in Moscow gained the impression that Soviet displeasure over publication of the Penkovsky papers is on the wane. Travel restrictions have been imposed on all US attachés since 18 November in retaliation for publication of the papers, which the Soviet official described as a "defamation" of Soviet marshals. The Soviet official's approach to the incident provides another indication that, while surface manifestations of the freeze in Soviet-US relations are likely to continue, the Soviets do not wish to make them so provocative as to cause relations to fall into complete disrepair.

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